



14 February 2020

Warren McCann
Chair
Victorian Independent Remuneration Tribunal
e: enquiries@remunerationtribunal.vic.gov.au

Determination setting the values of executive remuneration bands

Dear Mr McCann,

Thank you for your letter of 29 January inviting me to make a submission on behalf of The Gordon Institute of TAFE to the determination of values of the remuneration bands for executives employed in prescribed public entities. We ask that you consider the following evidence to support our case for parity of CEO remuneration across geographic location and industry.

As you are aware, Geelong, as Victoria's second-largest city, is experiencing strong economic growth, and the Victorian Government has been very successful in securing public sector businesses to our city. As a result, the region is currently experiencing intense competition for high calibre leaders with similar experience and skills to that of a TAFE CEO. The challenge in the appointment of executives becomes inherently more difficult upon application of current GSERP guidelines. The Gordon understands that executive remuneration should be fair and reasonable; however, the existing guidelines restrict The Gordon's capacity to recruit within a highly competitive local market where personnel with the requisite experience and skills can secure lucrative positions across government and private sectors.

Our Board recently commissioned Mercer to undertake an independent Work Value Assessment and associated market remuneration study of our CEO position. The work value points for the CEO position were used to reference market remuneration data for positions of equivalent size from Mercer's remuneration database. Mercer's analysis of data indicated an increase in remuneration was required for the package to be in alignment with the value assessment – a rate of compensation reflective of opportunities in metropolitan areas. While regional TAFEs may be structurally smaller, the demands on executives are no less complex than for metropolitan-based executives; and in some cases, the smaller structure heightens managerial complexity.

The recently announced removal of performance-related incentive payments from the government's Public Entity Executive Remuneration will further undermine the competitiveness of remuneration packages that The Gordon can offer, presenting both an attraction and retention issue for the Institute. I would note, that as part of a recent CEO recruitment process, our Executive search agency received feedback indicating potential external applicants did not find the proposed TRP either attractive or competitive. As a result, the Institute will no doubt have lost potentially talented candidates. The existing guidelines also have a deleterious impact on The Gordon's capacity to retain executive staff.

This evidence points to a clear need for parity of CEO remuneration within a particular band regardless of the geographical location or industry sector. Parity of remuneration would ensure TAFEs and regional organisations can fairly compete in securing appropriate talent from across the state. The competitiveness of offerings would also safeguard a viable approach to the retention of key talent.

I look forward to receiving the Determination in due course.

Yours sincerely

Justin Giddings
Board Chair | The Gordon